

**MARSHALL COUNTY**

**Independent Auditors' Reports  
Basic Financial Statements and Supplementary Information  
Schedule of Findings and Questioned Costs**

**June 30, 2008**

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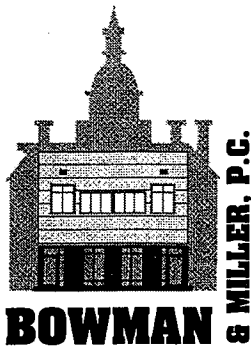
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# Marshall County

## Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Gordie Johnson	Board of Supervisors	January 2009
Patrick Brooks	Board of Supervisors	January 2011
Ron Goecke	Board of Supervisors	January 2011
Karen Squiers	County Auditor	January 2009
Deane Adams	County Treasurer	January 2011
Kathy Baker	County Recorder	January 2011
Theoharris Kamatchus	County Sheriff	January 2009
Jennifer Miller	County Attorney	January 2011
Bill Williams	County Assessor	January 2009



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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James R. Bowman, CPA • jim@syscompia.com  
Elizabeth A. Miller, CPA • beth@syscompia.com

Independent Auditors' Report

To the Officials of Marshall County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Marshall County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2008, on our consideration of Marshall County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 39 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Marshall County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bowman and Miller, P.C.*

December 16, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Marshall County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 19%, or approximately \$4,031,000, from fiscal 2007 to fiscal 2008. Property tax increased approximately \$1,470,000. Charges for services decreased approximately \$630,000. Operating grants and contributions increased approximately \$981,000; and capital grants, contributions and restricted interest increased approximately \$2,179,000.
- Program expenses increased 3.3%, or approximately \$685,000. The largest increases in program expenses were roads and transportation at approximately \$519,000, mental health at approximately \$350,000, and physical health and social services at approximately \$124,000. Non-program expenses decreased approximately \$339,000.
- The County's net assets increased 8.7%, or approximately \$3.5 million, from June 30, 2007 to June 30, 2008.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Marshall County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Marshall County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Marshall County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health and Dental Insurance Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.



The required financial statement for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Marshall County's combined net assets increased 8.7% or an increase of approximately \$3.5 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2008	2007
Current and other assets	\$ 21,815	\$ 20,127
Capital assets	39,326	37,281
Total assets	61,141	57,408
Long-term liabilities	3,631	4,095
Other liabilities	12,972	12,323
Total liabilities	16,603	16,418
Net assets:		
Invested in capital assets, net of related debt	36,164	33,622
Restricted	5,379	4,199
Unrestricted	2,995	3,169
Total net assets	\$ 44,538	\$ 40,990

The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased approximately \$174,000. This is a decrease of 5.5% from last year.

Restricted net assets increased from approximately \$4.2 million on June 30, 2007 to approximately \$5.4 million on June 30, 2008, an increase of 28.1%. This increase was primarily a result of receiving approximately \$1.4 million in MH/DD allowable growth to help fund mental health expenditures.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$ 2,191,800	\$ 2,822,125
Operating grants, contributions and restricted interest	7,218,776	6,237,605
Capital grants, contributions and restricted interest	3,161,918	982,170
General revenues:		
Property tax	10,472,040	9,001,738
Interest and penalty on property tax	106,511	94,407
State tax credits	470,277	437,413
Local option sales tax	1,086,528	1,152,504
Unrestricted investment earnings	382,533	425,031
Other general revenues	150,438	56,237
Total revenues	<u>25,240,821</u>	<u>21,209,230</u>
Program expenses:		
Public safety and legal services	5,944,644	6,006,132
Physical health and social services	892,795	769,256
Mental health	3,763,558	3,413,967
County environment and education	899,086	839,299
Roads and transportation	6,606,225	6,087,324
Governmental services to residents	809,778	767,250
Administration	2,506,042	2,504,575
Non-program	120,787	460,150
Interest on long-term debt	149,291	159,657
Total expenses	<u>21,692,206</u>	<u>21,007,610</u>
Increase in net assets	3,548,615	201,620
Net assets beginning of year	<u>40,989,658</u>	<u>40,788,038</u>
Net assets end of year	<u>\$ 44,538,273</u>	<u>\$ 40,989,658</u>

Marshall County's net assets of governmental activities increased approximately \$3.5 million during the year. Revenues for governmental activities increased by approximately \$4 million over the prior year, with capital grants increasing approximately \$2.2 million due to funds contributed by the Iowa Department of Transportation for road projects.

The cost of all governmental activities this year was \$21.7 million compared to \$21.0 million last year. As shown in the Statement of Activities, the amount county taxpayers ultimately financed for these activities was \$9.1 million because some of the cost was paid by those directly benefited from the programs (\$2.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$10.4 million). The County paid for the "public benefit" portion of governmental activities with approximately \$9.1 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Marshall County completed the year, its governmental funds reported a combined fund balance of \$8.1 million, which is \$1 million more than the 2007 fund balance. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund ending fund balance remained virtually unchanged from the prior year with the increase in revenues offset by an increase in expenditures. The ratio of ending fund balance/expenses at year end was 27%.
- The Mental Health Fund balance at year end increased by approximately \$1.2 million over the prior year due to an increase in the levy rate to the maximum and receiving nearly \$1.4 million in MH-DD allowable growth funds from the State. These actions brought the ratio of ending fund balance to expenditures from 2% at the end of fiscal year 2007 to 35% in the current year. The maximum levy was necessary to qualify for the additional State funding.
- The Secondary Roads Fund ending fund balance decreased approximately \$400,000 to \$2,004,000. Expenditures increased approximately \$305,000 due principally to an increase in roadway maintenance and snow and ice removal costs.
- There were no significant changes in revenue, expenditures and the fund balance of the Debt Service Fund.
- Capital Projects Fund expenditures decreased approximately \$261,000 over the prior year, due principally to fewer projects being done in the current year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Marshall County amended its budget twice. The first amendment was made in March, 2008 and resulted in an increase in budgeted disbursements of \$397,000 related to additional grant funding, employee salary and benefit shortfalls, increased costs of granular surfacing, snow and ice removal and fuel costs. The second amendment was done in May, 2008 to compensate for cost overruns in snow removal and granular resurfacing but did not affect the ending fund balance due to reductions in the year's capital projects construction program.

Even with the budget amendments, the County exceeded the budgeted amount in the debt service function for the year ended June 30, 2008. The County incurred additional interest expense that was not budgeted for.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, Marshall County had approximately \$66.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$3.5 million or 5.6% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2008	2007
Land and construction in progress	\$ 2,606	\$ 2,120
Buildings and improvements	19,619	19,619
Equipment and vehicles	7,896	7,649
Infrastructure	36,758	33,966
Total	<u>\$ 66,879</u>	<u>\$ 63,354</u>

This year's major additions included (in thousands):

Secondary road equipment	\$ 613
Sheriff's patrol cars	81
Conservation equipment	22
Iowa River Wildlife Area purchase	745
Bridge and road projects	1,000
Total	<u>\$ 2,461</u>

The County had depreciation expense of \$1,822,380 in fiscal year 2008 and total accumulated depreciation of \$27,552,841 at June 30, 2008. More detailed information about the County's capital assets is presented in Note 9 to the financial statements.

### Long-Term Debt

At June 30, 2008, Marshall County had approximately \$3,600,000 in general obligation bonds and other debt outstanding compared to approximately \$4,095,000 at June 30, 2007, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2008	2007
General obligation bonds	\$ 3,040,000	\$ 3,555,000
Capital lease purchase agreements	80,483	41,280
Compensated absences	469,100	435,772
Deferred real estate contract	41,906	63,346
Total	<u>\$ 3,631,489</u>	<u>\$ 4,095,398</u>

The county entered into four capital lease purchase agreements to lease equipment for the sheriff's office with a historical cost of \$214,365.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue up to 5 percent of the assessed value of all taxable property within the County's corporate limits. Marshall County's outstanding general obligation debt is significantly below its constitutional debt limit of \$61 million. There is no bond rating requested for the county at this time. Additional information about the County's long-term debt is presented in Note 5 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Marshall County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. The unemployment rate in the County was 4.5 percent versus 3.7 percent in June of 2007. This compares with the State's June, 2008 unemployment rate of 4.0 percent and the 2007 national rate of 4.6 percent. Inflation in the Midwest continues to be somewhat lower than the national Consumer Price Index increase. The Midwest CPI-U increase from December, 2006 to December, 2007 was 4.7 percent compared with a national rate of 4.1 percent.

These indicators were taken into account when adopting the budget for fiscal year 2009. Proposed spending for fiscal year 2009 increased 2.2% from the re-estimated 2008 budget. Property tax dollars to be generated in 2009 will represent a 5.5% increase from property taxes levied in 2008. However, total revenues from all sources, which include property taxes, are expected to decrease by 1.4%. The County has added no major programs or initiatives to the 2009 budget.

If these estimates are realized, the County's operating fund balance is expected to decrease 16.5% by the end of 2008.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Marshall County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Marshall County Auditor's Office, 1 East Main Street, Marshalltown, Iowa.

Marshall County  
Statement of Net Assets  
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 9,350,137
Receivables:	
Property tax:	
Delinquent	1,726
Succeeding year	11,151,598
Interest and penalty on property tax	1,268
Accounts	15,460
Accrued interest	27,904
Due from other governments	573,014
Inventories	580,826
Prepaid expenses	113,036
Capital assets (net of accumulated depreciation)	39,326,670
<b>Total assets</b>	<u>61,141,639</u>
<b>Liabilities</b>	
Accounts payable	735,896
Accrued interest payable	16,836
Salaries and benefits payable	242,296
Due to other governments	825,251
Deferred revenue:	
Succeeding year property tax	11,151,598
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	49,900
Deferred real estate contract	22,425
General obligation bonds	535,000
Compensated absences	469,100
Portion due or payable after one year:	
Capital lease purchase agreements	30,583
Deferred real estate contract	19,481
General obligation bonds	2,505,000
<b>Total liabilities</b>	<u>16,603,366</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	36,164,281
Restricted for:	
Supplemental levy purposes	505,014
Mental health purposes	1,296,053
Secondary roads purposes	1,914,050
Debt service	36,580
Capital projects	224,296
Other purposes	1,402,823
Unrestricted	2,995,176
<b>Total net assets</b>	<u>\$ 44,538,273</u>

Marshall County  
Statement of Activities  
Year Ended June 30, 2008

			Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Charges for Service		
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety and legal services	\$ 5,944,644	1,350,785	215,060	-
Physical health and social services	892,795	20,190	404,359	-
Mental health	3,763,558	11,332	2,856,656	-
County environment and education	899,086	33,766	114,362	612,333
Roads and transportation	6,606,225	76,024	3,627,614	2,549,585
Governmental services to residents	809,778	577,063	725	-
Administration	2,506,042	16,893	-	-
Non-program	120,787	105,747	-	-
Interest on long-term debt	149,291	-	-	-
Total	\$ 21,692,206	2,191,800	7,218,776	3,161,918

**General Revenues:**

Property and other county tax levied for:

General purposes

Tax increment financing

Debt service

Interest and penalty on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

---

Net (Expense)  
Revenue  
and Changes  
in Net Assets

---

(4,378,799)

(468,246)

(895,570)

(138,625)

(353,002)

(231,990)

(2,489,149)

(15,040)

(149,291)

---

(9,119,712)

9,506,229

308,287

657,524

106,511

470,277

1,086,528

382,533

150,438

---

12,668,327

3,548,615

---

40,989,658

---

\$ 44,538,273

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Marshall County  
Balance Sheet  
Governmental Funds  
June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 2,736,763	2,238,362	834,395	1,360,007
Receivables:				
Property tax:				
Delinquent	1,134	365	115	-
Succeeding year	7,209,691	1,895,471	1,331,550	-
Interest and penalty on property tax	1,268	-	-	-
Accounts	1,519	132	322	-
Accrued interest	24,548	-	-	-
Due from other funds	-	-	-	13,669
Due from other governments	76,819	975	175,551	319,669
Inventories	-	-	-	580,826
Prepaid expenses	105,467	-	-	7,569
<b>Total assets</b>	<b>\$ 10,157,209</b>	<b>4,135,305</b>	<b>2,341,933</b>	<b>2,281,740</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 134,877	141,557	66,623	205,996
Salaries and benefits payable	140,205	8,765	22,653	70,673
Due to other funds	13,669	-	-	-
Due to other governments	53,373	771,181	-	697
Deferred revenue:				
Succeeding year property tax	7,209,691	1,895,471	1,331,550	-
Other	1,146	9,331	100	-
<b>Total liabilities</b>	<b>7,552,961</b>	<b>2,826,305</b>	<b>1,420,926</b>	<b>277,366</b>
Fund balances:				
Reserved for:				
Supplemental levy purposes	505,014	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	2,099,234	-	-	-
Special revenue funds	-	1,309,000	921,007	2,004,374
Capital projects fund	-	-	-	-
<b>Total fund balances</b>	<b>2,604,248</b>	<b>1,309,000</b>	<b>921,007</b>	<b>2,004,374</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,157,209</b>	<b>4,135,305</b>	<b>2,341,933</b>	<b>2,281,740</b>

Debt Service	Capital Projects	Special Revenue	Total
48,414	224,296	1,033,055	8,475,292
112	-	-	1,726
714,886	-	-	11,151,598
-	-	-	1,268
-	-	-	1,973
-	-	3,356	27,904
-	-	-	13,669
-	-	-	573,014
-	-	-	580,826
-	-	-	113,036
763,412	224,296	1,036,411	20,940,306
-	-	8,843	557,896
-	-	-	242,296
-	-	-	13,669
-	-	-	825,251
714,886	-	-	11,151,598
73	-	-	10,650
714,959	-	8,843	12,801,360
-	-	-	505,014
48,453	-	-	48,453
-	-	-	2,099,234
-	-	1,027,568	5,261,949
-	224,296	-	224,296
48,453	224,296	1,027,568	8,138,946
763,412	224,296	1,036,411	20,940,306

Marshall County  
Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets  
June 30, 2008

Exhibit D

**Total governmental fund balances (page 15)** **\$ 8,138,946**

*Amounts reported for governmental activities in the Statement of Net Assets are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$66,879,511 and the accumulated depreciation is \$27,552,841. 39,326,670

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 10,650

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health and dental insurance benefit plans to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 710,332

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable, deferred real estate contract and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (3,648,325)

**Net assets of governmental activities (page 11)** **\$ 44,538,273**

Marshall County  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2008

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 6,299,598	2,027,074	2,266,664	-
Interest and penalty on property tax	106,923	-	-	-
Intergovernmental	2,232,738	2,960,746	94,993	3,832,521
Licenses and permits	100	-	50,029	4,719
Charges for service	694,714	11,332	734	19,384
Use of money and property	480,044	-	-	3,544
Miscellaneous	89,634	-	1,618	51,921
Total revenues	9,903,751	4,999,152	2,414,038	3,912,089
Expenditures:				
Operating:				
Public safety and legal services	5,130,548	-	515,669	-
Physical health and social services	865,320	-	24,514	-
Mental health	-	3,759,441	-	-
County environment and education	439,569	-	151,322	-
Roads and transportation	-	-	554,063	5,372,261
Governmental services to residents	753,994	-	-	-
Administration	2,324,481	-	-	-
Debt service	-	-	-	-
Capital projects	229,167	-	-	254,724
Total expenditures	9,743,079	3,759,441	1,245,568	5,626,985
Excess (deficiency) of revenues over (under) expenditures	160,672	1,239,711	1,168,470	(1,714,896)
Other financing sources (uses):				
Sale of capital assets	15,100	-	-	9,720
Operating transfers in	26,480	-	-	1,265,072
Operating transfers out	(111,000)	-	(1,238,400)	-
Capital lease purchase agreement	91,893	-	-	-
Total other financing sources (uses)	22,473	-	(1,238,400)	1,274,792
Net change in fund balances	183,145	1,239,711	(69,930)	(440,104)
Fund balances beginning of year	2,421,103	69,289	990,937	2,444,478
Fund balances end of year	\$ 2,604,248	1,309,000	921,007	2,004,374

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
657,589	-	308,287	11,559,212
-	-	-	106,923
28,577	-	29,710	9,179,285
-	-	-	54,848
-	-	7,907	734,071
-	5,024	33,085	521,697
-	48,980	129,747	321,900
686,166	54,004	508,736	22,477,936
-	-	83,637	5,729,854
-	-	-	889,834
-	-	-	3,759,441
-	-	250,901	841,792
-	-	-	5,926,324
-	-	15,343	769,337
-	-	3,529	2,328,010
683,613	-	-	683,613
-	153,411	10,400	647,702
683,613	153,411	363,810	21,575,907
2,553	(99,407)	144,926	902,029
-	-	-	24,820
-	111,000	59,869	1,462,421
(22,676)	(30,476)	(59,869)	(1,462,421)
-	-	-	91,893
(22,676)	80,524	-	116,713
(20,123)	(18,883)	144,926	1,018,742
68,576	243,179	882,642	7,120,204
48,453	224,296	1,027,568	8,138,946

Marshall County  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement of Activities  
Year Ended June 30, 2008

Net change in fund balances - Total governmental funds (page 18) \$ 1,018,742

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,342,070	
Capital assets contributed by the Iowa Department of Transportation	2,287,130	
Capital assets contributed by the Iowa Heritage Foundation	359,166	
Depreciation expense	<u>(1,822,380)</u>	2,165,986

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (120,787)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(1,056)	
Other	<u>(12,102)</u>	(13,158)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(91,893)	
Repaid	<u>589,130</u>	497,237

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(33,328)	
Interest on long-term debt	<u>318</u>	(33,010)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health and dental insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

33,605

Change in net assets of governmental activities (page 13) \$ 3,548,615

Marshall County  
Statement of Net Assets  
Proprietary Fund  
June 30, 2008

Exhibit G

	<u>Internal Service- Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 874,845
Accounts receivable	<u>13,487</u>
<b>Total assets</b>	888,332
<b>Liabilities</b>	
Accounts payable	<u>178,000</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 710,332</u></u>

Marshall County  
Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Proprietary Fund  
Year Ended June 30, 2008

Exhibit H

	<u>Internal Service- Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,202,244
Reimbursements from employees	121,996
Reimbursements from others	37,209
Insurance reimbursements	<u>77,083</u>
Total operating revenues	1,438,532
Operating expenses:	
Medical claims	1,156,984
Insurance premiums	267,168
Administrative fees	<u>11,091</u>
Total operating disbursements	<u>1,435,243</u>
Operating income	3,289
Non-operating revenues:	
Interest income	<u>30,316</u>
Net income	33,605
Net assets beginning of year	<u>676,727</u>
Net assets end of year	<u><u>\$ 710,332</u></u>



Marshall County  
Statement of Cash Flows  
Proprietary Fund  
Year Ended June 30, 2008

	Internal Service- Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,202,244
Cash received from employees and others	229,457
Cash paid to suppliers for services	(1,444,343)
Net cash used by operating activities	(12,642)
Cash flows from investing activities:	
Interest on investments	30,316
Net increase in cash and cash equivalents	17,674
Cash and cash equivalents beginning of year	857,171
Cash and cash equivalents end of year	\$ 874,845
Reconciliations of operating income to net cash provided by operating activities:	
Operating income	\$ 3,289
Adjustments to reconcile operating income to net cash used by operating activities:	
(Increase) in accounts receivable	(6,831)
(Decrease) in accounts payable	(9,100)
Net cash used by operating activities	\$ (12,642)

Marshall County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2008

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 4,089,500
Other County officials	95,188
Receivables:	
Property tax:	
Delinquent	6,033
Succeeding year	35,626,453
Accounts	54,258
Accrued interest	18,124
Assessments	159,116
<b>Total assets</b>	<u>40,048,672</u>

**Liabilities**

Accounts payable	104,568
Salaries and benefits payable	3,249
Due to other governments	39,762,638
Trusts payable	141,136
Compensated absences	37,081
<b>Total liabilities</b>	<u>40,048,672</u>
<b>Net assets</b>	<u><u>\$ -</u></u>

# Marshall County

## Notes to Financial Statements

### June 30, 2008

#### (1) Summary of Significant Accounting Policies

Marshall County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Marshall County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Marshall County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Four drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Marshall County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Marshall County Auditor's office.

One drainage district, a joint district between Marshall and Story Counties, is managed and supervised by elected trustees. This district is included as an Agency Fund of the County.

Marshall County  
Notes to Financial Statements  
June 30, 2008

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Marshall County Assessor's Conference Board, Marshall County E-911 Service Board and Marshall County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County has been designated as trustee of the Marshall County Solid Waste Management Commission's Irrevocable Trust Fund. The purpose of this fund is to demonstrate financial assurance for closure, post-closures and corrective action as required by law. The County's responsibility for this fund is limited to a fiduciary relationship and as such, the activity has been reported in an Agency Fund of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Marshall County Public Safety Communications Center, Solid Waste Management Commission of Marshall County, Region Six Planning Commission, Central Iowa Juvenile Detention Center, and Mid-Iowa Drug Task Force.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Marshall County  
Notes to Financial Statements  
June 30, 2008

**(1) Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Marshall County  
Notes to Financial Statements  
June 30, 2008

(1) **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

Marshall County  
Notes to Financial Statements  
June 30, 2008

(1) **Summary of Significant Accounting Policies (continued)**

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The county maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year.

Marshall County  
Notes to Financial Statements  
June 30, 2008

(1) **Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Fund Equity (continued)**

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2007.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000



Marshall County  
Notes to Financial Statements  
June 30, 2008

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	30 – 50
Building improvements	20 – 50
Infrastructure	15 – 65
Equipment	5 – 25
Vehicles	7 – 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Marshall County  
Notes to Financial Statements  
June 30, 2008

**(1) Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Fund Equity (continued)**

Long-Term Liabilities – In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the debt service function.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Marshall County  
Notes to Financial Statements  
June 30, 2008

**(2) Cash and Pooled Investments (continued)**

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	General	<u>\$ 13,699</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	General	\$ 111,000
Special Revenue: Secondary Roads	Special Revenue: Rural Services	1,238,400
	Capital Projects	<u>26,672</u>
		1,265,072
General	Debt Service	22,676
	Capital Projects	<u>3,804</u>
		26,480
Special Revenue: Moderate Income Housing	Special Revenue: Urban Renewal Revenue	<u>59,869</u>
		<u>\$ 1,462,421</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Marshall County  
Notes to Financial Statements  
June 30, 2008

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	General Obligation Bonds	Deferred Real Estate Contract	Capital Lease Purchase Agreements	Compensated Absences	Total
Balance beginning of year	\$ 3,555,000	63,346	41,280	435,772	4,095,398
Increases	-	-	91,893	43,562	135,455
Decreases	515,000	21,440	52,690	10,234	599,364
Balance end of year	\$ 3,040,000	41,906	80,483	469,100	3,631,489
Due within one year	\$ 535,000	22,425	49,900	469,100	1,076,425

Capital Lease Purchase Agreements

The County has entered into four capital lease purchase agreements to lease equipment for the sheriff's office with an historical cost of \$214,365 and amortization of \$30,832. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.69% to 9.50% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2008:

Year ending June 30,	Sheriff's Equipment
2009	\$ 55,375
2010	32,700
Total minimum lease payments	88,075
Less amount representing interest	7,592
Present value of net minimum lease payments	<u>\$ 80,483</u>

Payments under capital lease purchase agreements totaled \$55,375 for the year ended June 30, 2008.

Industrial Development Revenue Bonds

The County has issued a total of \$6,790,000 in industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$6,330,000 is outstanding at June 30, 2008. The bonds and related interest are payable solely from the rents payable by the tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

Marshall County  
Notes to Financial Statements  
June 30, 2008

**(5) Long-Term Liabilities (continued)**

Deferred Real Estate Contract

During the year ended June 30, 2002, the County entered into a deferred payment contract totaling \$180,000 to purchase real estate for the Secondary Roads department. The County agreed to pay the seller \$20,000 on the date of possession and ninety-six monthly installments, including interest, beginning May 1, 2002. The interest rate is variable during the term of the contract. The initial rate is 4½% per annum for the first twelve months. Effective April 1, 2003, the interest rate will be determined by the current rate on two year U.S. Treasury Notes, plus 1%. The interest rate will never be less than 4½% nor more than 7% annum. For the year ended June 30, 2008 interest was at 4.½%. Payments under the deferred real estate contract for the year ended June 30, 2008 totaled \$23,852. The balance of the contract at June 30, 2008 was \$41,906.

Bonds Payable

A summary of the County's June 30, 2008 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates		Principal	Interest	Total
2009	2.60 to 3.15 %	\$	535,000	107,298	642,298
2010	4.25		395,000	91,140	486,140
2011	4.30		230,000	78,303	308,303
2012	4.40		240,000	70,598	310,598
2013	4.50		245,000	62,318	307,318
2014	4.50		260,000	53,620	313,620
2015	4.65		265,000	44,130	309,130
2016	4.70		275,000	34,193	309,193
2017	4.75		290,000	23,605	313,605
2018	4.80		305,000	14,640	319,640
			<u>\$ 3,040,000</u>	<u>579,845</u>	<u>3,619,845</u>

During the year ended June 30, 2008, the County retired \$515,000 of bonds.

Marshall County  
Notes to Financial Statements  
June 30, 2008

**(6) Marshall County Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health and dental insurance benefit plans. The plans are funded by both employee and County contributions and are administered through a service agreement with Select Benefit Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Select Benefits Administrators from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2008 was \$1,202,244.

Amounts payable from the Employee Group Health Insurance Fund at June 30, 2008 total \$178,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$710,332 at June 30, 2008 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 187,100
Incurred claims (including claims incurred but not reported as of June 30, 2008)	1,156,984
Payments on claims during the fiscal year	<u>1,166,084</u>
Unpaid claims end of year	<u>\$ 178,000</u>

Marshall County  
Notes to Financial Statements  
June 30, 2008

**(7) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$427,725, \$395,967 and \$391,179, respectively, equal to the required contributions for each year.

**(8) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 53,373
Special Revenue:		
Secondary Roads	Services	697
Mental Health	Services	771,181
		<u>771,878</u>
Total for governmental funds		<u>\$ 825,251</u>
Agency:		
County Assessor	Collections	\$ 665,629
Schools		21,502,325
Community Colleges		2,918,521
Corporations		10,741,622
Auto License and Use Tax		660,340
Solid Waste Irrevocable Trust		2,437,974
All other		<u>836,227</u>
Total for agency funds		<u>\$ 39,762,638</u>

Marshall County  
Notes to Financial Statements  
June 30, 2008

**(9) Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,869,829	744,940	8,300	2,606,469
Construction in progress	250,466	-	250,466	-
Total capital assets not being depreciated	2,120,295	744,940	258,766	2,606,469
Capital assets being depreciated:				
Buildings	19,618,776	-	-	19,618,776
Equipment and vehicles	7,648,978	726,393	479,344	7,896,027
Infrastructure, road network	33,965,919	2,792,320	-	36,758,239
Total capital assets being depreciated	61,233,673	3,518,713	479,344	64,273,042
Less accumulated depreciation for:				
Buildings	7,907,233	375,461	-	8,282,694
Equipment and vehicles	3,916,407	447,276	342,036	4,021,647
Infrastructure, road network	14,248,857	999,643	-	15,248,500
Total accumulated depreciation	26,072,497	1,822,380	342,036	27,552,841
Total capital assets being depreciated, net	35,161,176	1,696,333	137,308	36,720,201
Governmental activities capital assets, net	\$ 37,281,471	2,441,273	396,074	39,326,670

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 280,168
Physical health and social services	2,087
County environment and education	83,016
Roads and transportation	1,312,337
Governmental services to residents	34,804
Administration	109,968
Total depreciation expense - governmental activities	<u>\$ 1,822,380</u>

**(10) Operating Leases**

During the year ended June 30, 2002, the County entered into an agreement with the Marshall Town Center to lease space for the County Treasurer Motor Vehicle Department. The lease has been classified as an operating lease and, accordingly, all rents are charged to expenditures as incurred. The lease expires June 30, 2011.



Marshall County  
Notes to Financial Statements  
June 30, 2008

**(10) Operating Leases (continued)**

Pursuant to an agreement with the Marshall Town Center, the County paid \$161,760 to remodel the leased space. The County recorded these costs as prepaid expenditures that are amortized and reduce the annual cash rental payments throughout the term of the lease.

The County has also entered into several other leases for operating space used by various county departments. The leases expire at various times through June 30, 2013. The following is a schedule by year of the total annual lease costs required under the operating leases.

Year Ending June 30		Annual Rent Due in Cash	Annual Prepaid Expenditures Amortized	Total Annual Lease Costs
2009	\$	75,635	14,766	90,401
2010		75,928	14,766	90,694
2011		84,762	9,666	94,428
2012		74,676	-	74,676
Thereafter		74,676	-	74,676
Total	\$	457,719	55,164	512,883

The total annual lease costs for the year ended June 30, 2008 were \$88,328.

**(11) Risk Management**

Marshall County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limits. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Marshall County  
 Budgetary Comparison Schedule of  
 Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds  
 Required Supplementary Information  
 Year Ended June 30, 2008

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 11,556,266	-
Interest and penalty on property tax	105,724	-
Intergovernmental	9,513,095	-
Licenses and permits	53,980	-
Charges for service	690,218	-
Use of money and property	526,715	-
Miscellaneous	472,833	-
Total receipts	<u>22,918,831</u>	<u>-</u>
Disbursements:		
Public safety and legal services	5,715,870	-
Physical health and social services	880,798	-
Mental health	3,589,561	-
County environment and education	814,494	-
Roads and transportation	5,999,683	-
Governmental services to residents	751,957	-
Administration	2,339,062	-
Debt service	683,613	-
Capital projects	642,211	-
Total disbursements	<u>21,417,249</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	1,501,582	-
Other financing sources, net	<u>21,707</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,523,289	-
Balance beginning of year	<u>6,952,003</u>	<u>5,683</u>
Balance end of year	<u><u>\$ 8,475,292</u></u>	<u><u>5,683</u></u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
11,556,266	11,354,202	11,510,121	46,145
105,724	13,000	13,000	92,724
9,513,095	8,446,824	9,197,531	315,564
53,980	45,389	52,656	1,324
690,218	781,320	838,482	(148,264)
526,715	409,090	423,052	103,663
472,833	552,225	571,314	(98,481)
22,918,831	21,602,050	22,606,156	312,675
5,715,870	5,757,023	5,897,819	181,949
880,798	933,855	1,058,239	177,441
3,589,561	3,590,014	3,590,014	453
814,494	1,008,406	840,687	26,193
5,999,683	5,679,800	6,370,100	370,417
751,957	782,090	789,482	37,525
2,339,062	2,666,246	2,739,684	400,622
683,613	696,773	678,573	(5,040)
642,211	1,712,505	1,259,586	617,375
21,417,249	22,826,712	23,224,184	1,806,935
1,501,582	(1,224,662)	(618,028)	2,119,610
21,707	207,000	11,000	10,707
1,523,289	(1,017,662)	(607,028)	2,130,317
6,946,320	5,588,395	6,818,435	127,885
8,469,609	4,570,733	6,211,407	2,258,202

Marshall County  
 Budgetary Comparison Schedule -  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 22,918,831	(440,895)	22,477,936
Expenditures	21,417,249	158,658	21,575,907
Net	1,501,582	(599,553)	902,029
Other financing sources, net	21,707	95,006	116,713
Beginning fund balances	6,952,003	168,201	7,120,204
Ending fund balances	\$ 8,475,292	(336,346)	8,138,946

Marshall County  
Notes to Required Supplementary Information-  
Budgetary Reporting  
June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$397,472. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the debt service function.

Marshall County  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2008

	Resource Enhancement and Protection	Sheriff's Investigative	Sheriff's DARE	Jail Commissary
<b>Assets</b>				
Cash and pooled investments	\$ 58,075	872	275	228,137
Receivables:				
Accrued interest	-	-	-	-
<b>Total assets</b>	<b>\$ 58,075</b>	<b>872</b>	<b>275</b>	<b>228,137</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	-	-	4,338
Fund balances:				
Unreserved	58,075	872	275	223,799
<b>Total liabilities and fund balances</b>	<b>\$ 58,075</b>	<b>872</b>	<b>275</b>	<b>228,137</b>

Conservation Land Acquisition Trust	Klauenberg Trust	County Recorder's Records Management	Attorney's Forfeiture	Drainage Certificates	Urban Renewal Revenue	Moderate Income Housing	Total
75,989	453,467	12,218	9,112	5,683	4,505	184,722	1,033,055
-	3,356	-	-	-	-	-	3,356
75,989	456,823	12,218	9,112	5,683	4,505	184,722	1,036,411
-	-	-	-	-	4,505	-	8,843
75,989	456,823	12,218	9,112	5,683	-	184,722	1,027,568
75,989	456,823	12,218	9,112	5,683	4,505	184,722	1,036,411

Marshall County  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year Ended June 30, 2008

	Resource Enhancement and Protection	Sheriff's Investigative	Sheriff's DARE	Jail Commissary	Conservation Land Acquisition Trust
Revenues:					
Property and other county tax	\$ -	-	-	-	-
Intergovernmental	27,227	-	-	-	-
Charges for service	-	-	-	-	-
Use of money and property	921	4	2	5,436	1,848
Miscellaneous	-	-	3,476	102,018	22,556
Total revenues	28,148	4	3,478	107,454	24,404
Expenditures:					
Operating:					
Public safety and legal services	-	-	3,228	78,502	-
County environment and education	-	-	-	-	-
Governmental services to residents	-	-	-	-	-
Administration	-	-	-	-	-
Capital projects	-	-	-	-	10,400
Total expenditures	-	-	3,228	78,502	10,400
Excess (deficiency) of revenues over (under) expenditures	28,148	4	250	28,952	14,004
Other financing sources (uses):					
Operating transfers in (out):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	28,148	4	250	28,952	14,004
Fund balances beginning of year	29,927	868	25	194,847	61,985
Fund balances end of year	\$ 58,075	872	275	223,799	75,989



Klaunenberg Trust	County Recorder's Records Management	County Attorney's Forfeiture	Drainage Certificates	Urban Renewal Revenue	Moderate Income Housing	County Recorder's Electronic Transaction Fee	Total
-	-	-	-	308,287	-	-	308,287
-	-	-	-	2,483	-	-	29,710
-	7,907	-	-	-	-	-	7,907
24,110	725	39	-	-	-	-	33,085
-	-	1,697	-	-	-	-	129,747
24,110	8,632	1,736	-	310,770	-	-	508,736
-	-	1,907	-	-	-	-	83,637
-	-	-	-	250,901	-	-	250,901
-	15,000	-	-	-	-	343	15,343
3,529	-	-	-	-	-	-	3,529
-	-	-	-	-	-	-	10,400
3,529	15,000	1,907	-	250,901	-	343	363,810
20,581	(6,368)	(171)	-	59,869	-	(343)	144,926
-	-	-	-	-	59,869	-	59,869
-	-	-	-	(59,869)	-	-	(59,869)
-	-	-	-	(59,869)	59,869	-	-
20,581	(6,368)	(171)	-	-	59,869	(343)	144,926
436,242	18,586	9,283	5,683	-	124,853	343	882,642
456,823	12,218	9,112	5,683	-	184,722	-	1,027,568

Marshall County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2008

	County Offices		Agricultural		
	County	County	Extension	County	
	Recorder	Sheriff	Education	Assessor	Schools
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	-	1,789	272,374	274,655
Other County officials	20,509	74,679	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	22	67	3,531
Succeeding year	-	-	152,783	424,916	21,224,139
Accounts	290	-	-	-	-
Accrued interest	-	-	-	-	-
Assessments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 20,799</b>	<b>74,679</b>	<b>154,594</b>	<b>697,357</b>	<b>21,502,325</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	-	-	-
Salaries and benefits payable	-	-	-	1,740	-
Due to other governments	20,799	-	154,594	665,629	21,502,325
Trusts payable	-	74,679	-	-	-
Compensated absences	-	-	-	29,988	-
<b>Total liabilities</b>	<b>\$ 20,799</b>	<b>74,679</b>	<b>154,594</b>	<b>697,357</b>	<b>21,502,325</b>

Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax
31,038	147,488	4,800	59	19,623	660,340
-	-	-	-	-	-
386	1,984	42	1	-	-
2,887,097	10,592,150	340,215	5,153	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	159,116	-
2,918,521	10,741,622	345,057	5,213	178,739	660,340
-	-	-	-	-	-
-	-	-	-	-	-
2,918,521	10,741,622	345,057	5,213	178,739	660,340
-	-	-	-	-	-
-	-	-	-	-	-
2,918,521	10,741,622	345,057	5,213	178,739	660,340

Marshall County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2008

	Local Emergency Management Services	Tax Sale Redemption Non-County	Solid Waste Irrevocable Trust	Marshall County Wellness	E-911
<b>Assets</b>					
Cash and pooled investments					
County Treasurer	31,511	41,845	2,419,850	12,340	4,252
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	300	-	-	-	53,668
Accrued interest	-	-	18,124	-	-
Assessments	-	-	-	-	-
<b>Total assets</b>	<b>31,811</b>	<b>41,845</b>	<b>2,437,974</b>	<b>12,340</b>	<b>57,920</b>
<b>Liabilities</b>					
Accounts payable	219	-	-	-	56,815
Salaries and benefits payable	1,509	-	-	-	-
Due to other governments	22,990	41,845	2,437,974	-	1,105
Trusts payable	-	-	-	12,340	-
Compensated absences	7,093	-	-	-	-
<b>Total liabilities</b>	<b>31,811</b>	<b>41,845</b>	<b>2,437,974</b>	<b>12,340</b>	<b>57,920</b>

Other	Total
167,536	4,089,500
-	95,188
-	6,033
-	35,626,453
-	54,258
-	18,124
-	159,116
167,536	40,048,672

47,534	104,568
-	3,249
65,885	39,762,638
54,117	141,136
-	37,081
167,536	40,048,672

Marshall County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2008

	County Offices		Agricultural	County Assessor
	County Recorder	County Sheriff	Extension Education	
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 34,091	48,141	131,423	641,510
Additions:				
Property and other county tax	-	-	147,354	430,326
E-911 surcharge	-	-	-	-
State tax credits	-	-	5,652	16,929
Interest	-	-	-	-
Office fees and collections	542,554	134,416	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	365,407	-	-
Miscellaneous	-	-	-	638
Total additions	542,554	499,823	153,006	447,893
Deductions:				
Agency remittances:				
To other funds	289,205	132,833	-	-
To other governments	266,641	-	129,835	392,046
Trusts paid out	-	340,452	-	-
Total deductions	555,846	473,285	129,835	392,046
Balances end of year	\$ 20,799	74,679	154,594	697,357

Schools	Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax
20,668,530	2,288,282	9,897,818	311,494	4,987	209,835	676,763
20,395,389	2,792,955	12,313,794	339,159	4,360	-	-
-	-	-	-	-	-	-
867,369	96,893	396,648	16,382	187	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	8,016,135
-	-	-	-	-	67,510	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
21,262,758	2,889,848	12,710,442	355,541	4,547	67,510	8,016,135
-	-	-	-	-	-	240,552
20,428,963	2,259,609	11,866,638	321,978	4,321	98,606	7,792,006
-	-	-	-	-	-	-
20,428,963	2,259,609	11,866,638	321,978	4,321	98,606	8,032,558
21,502,325	2,918,521	10,741,622	345,057	5,213	178,739	660,340

Marshall County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2008

	Local Emergency Management Services	Tax Sale Redemption Non-County	Solid Waste Irrevocable Trust	Marshall County Wellness
<b>Assets and Liabilities</b>				
Balances beginning of year	22,101	66,522	2,206,374	11,750
Additions:				
Property and other county tax	-	-	-	-
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	-
Interest	-	-	104,575	217
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	545,848	-	-
Miscellaneous	148,245	-	127,025	6,266
Total additions	148,245	545,848	231,600	6,483
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	138,535	-	-	-
Trusts paid out	-	570,525	-	5,893
Total deductions	138,535	570,525	-	5,893
Balances end of year	31,811	41,845	2,437,974	12,340



E-911	Other	Total
53,412	252,493	37,525,526
-	12,640	36,435,977
206,070	-	206,070
-	-	1,400,060
95	7,183	112,070
-	8,662	685,632
-	716	8,016,851
-	-	67,510
-	27,340	938,595
9,181	780,363	1,071,718
215,346	836,904	48,934,483
-	-	662,590
210,838	793,125	44,703,141
-	128,736	1,045,606
210,838	921,861	46,411,337
57,920	167,536	40,048,672

Marshall County  
Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Funds  
For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues:				
Property and other county tax	\$ 11,559,212	10,154,174	9,382,164	8,622,222
Interest and penalty on property tax	106,923	94,099	85,590	77,867
Intergovernmental	9,179,285	8,308,773	7,820,874	7,791,934
Licenses and permits	54,848	40,403	46,066	30,687
Charges for service	734,071	766,129	796,291	779,753
Use of money and property	521,697	531,424	455,809	271,154
Miscellaneous	321,900	317,997	692,254	306,337
Total	<u>\$ 22,477,936</u>	<u>20,212,999</u>	<u>19,279,048</u>	<u>17,879,954</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 5,729,854	5,549,685	5,657,380	5,677,146
Physical health and social services	889,834	761,605	850,979	849,797
Mental health	3,759,441	3,401,778	3,128,228	2,858,400
County environment and education	841,792	794,776	804,072	609,842
Roads and transportation	5,926,324	5,116,544	4,714,904	4,814,973
Governmental services to residents	769,337	743,642	990,407	733,620
Administration	2,328,010	2,278,439	2,197,990	2,120,834
Debt service	683,613	661,272	653,589	319,337
Capital projects	647,702	1,238,663	1,532,287	427,775
Total	<u>\$ 21,575,907</u>	<u>20,546,404</u>	<u>20,529,836</u>	<u>18,411,724</u>

Marshall County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008

Schedule 6

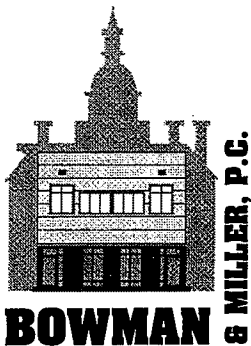
Grantor/Program	CFDA Number	Agency or Pass- through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 16,979
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Accountability Block Grants	16.523	CJJP-06-A3-001	2,795
Juvenile Accountability Block Grants	16.523	32-JD06-F-07	4,813
			<u>7,608</u>
Enforcing Underage Drinking Laws	16.727	32-JD06-F07	2,100
Juvenile Justice and Delinquency Prevention	16.540	CJJP-06-A3-001	1,985
Juvenile Justice and Delinquency Prevention	16.540	32-JD06-F07	5,417
			<u>7,402</u>
Governor's Office of Drug Control Policy:			
Edward Bryne Memorial Formula Grant	16.579	07JAG/C06-A32	112,496
Iowa Department of Justice-Crime Victims Assistance Division:			
Violence Against Women Formula Grants	16.588	VW-08-42	30,355
Crime Victim Assistance	16.575	VA-08-42	26,005
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		18,175
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		4,466
State Children's Insurance Program	93.767		150
Foster Care-Title IV-E	93.658		10,734
Adoption Assistance	93.659		2,570
Medical Assistance Program	93.778		23,170
Social Services Block Grant	93.667		11,920
Social Services Block Grant	93.667		187,267
			<u>199,187</u>
Iowa Department of Education:			
Temporary Assistance for Needy Families- School Ready Children	93.558		115,115

Marshall County  
Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2008

Schedule 6

Grantor/Program	CFDA Number	Agency or Pass- through Number	Program Expenditures
U.S. Department of Homeland Security			
Iowa Department of Public Defense:			
Homeland Security Division:			
Emergency Management Performance Grant	97.042		30,460
Disaster Grants-Public Assistance			
Presidentially Declared Disasters	97.036		6,184
Story County:			
Homeland Security Grant Program	97.067	HSCP-2005	18,753
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS CO64(93)-8J64	8,078
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP-07-03 Task 06	1,675
State and Community Highway Safety	20.600	PAP-07-163 Task 54	1,605
			3,280
Total			\$ 643,267

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Marshall County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Officials of Marshall County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marshall County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Marshall County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marshall County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Marshall County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Marshall County's financial statements that is more than inconsequential will not be prevented or detected by Marshall County's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Marshall County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we believe item II-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

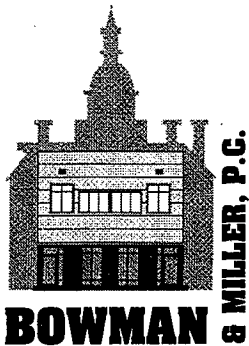
Marshall County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Marshall County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marshall County and other parties to whom Marshall County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Marshall County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman and Miller, P.C.*

December 16, 2008



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Elizabeth A. Miller, CPA • beth@syscompia.com

Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Officials of Marshall County:

Compliance

We have audited the compliance of Marshall County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Marshall County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marshall County's management. Our responsibility is to express an opinion on Marshall County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marshall County's compliance with those requirements.

In our opinion, Marshall County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Marshall County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Marshall County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on

A control deficiency in Marshall County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Marshall County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Marshall County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Marshall County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in Marshall County's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marshall County and other parties to whom Marshall County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Bowman and Miller, P.C.*

December 16, 2008



Marshall County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

**Part I: Summary of the Independent Auditors' Results:**

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 93.667 – Social Services Block Grant
  - CFDA Number 93.558 – Temporary Assistance for Needy Families-School Ready Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marshall County did not qualify as a low-risk auditee.

Marshall County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCY:**

II-A-08 Segregation of Duties – During our review of the internal control structure, the existing control procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

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Applicable  
Offices

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Recorder,  
Sheriff

(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.

Sheriff

Recommendation – We realize that with a limited number of office employees segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The County offices will review their office policies and attempt to segregate duties where possible. Where it is not possible increased review by supervisory personnel will be performed.

Conclusion – Response accepted.

Marshall County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

**Part III: Findings and Questioned Costs for Federal Awards:**

No matters were reported.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in the debt service function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget

Response – This occurred during a transition year and involved refinancing our jail bonds and will not occur again.

Conclusion – Response accepted.

IV-B-08 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-08 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Business Connection	Description	Amount
Angie Kelley, wife of Todd Kelley, Maintenance Supervisor	Fire Extinguishers	\$ 1,660
Dennis Bachman, husband of Deanna Neldeberg-Bachman, Emergency Management Director	EMS Training	3,276
Evan Folk, IT department employee, owner of EMF Services	Computer Services	66

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Evan Folk does not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year. The transactions with Dennis Bachman and Angie Kelley may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

Marshall County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

**Part IV: Other Findings Related to Required Statutory Reporting (continued):**

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – Dennis Bachman was doing the same EMS training before he was dating Deanna, during their engagement and after their marriage. Angie Kelley is the only person in the area that provides these services. We have consulted with our County Attorney and she has given us a letter stating that she does not believe there is a conflict of interest.

Conclusion – Response accepted.

IV-E-08 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-08 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-H-08 Deposits and Pooled Investments – We noted no instances of non-compliance with the deposits and pooled investments provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policies.

IV-I-08 Deficit Fund Balance – The Trust and Agency, Early Childhood Program Fund had a deficit fund balance of \$2,099 at June 30, 2008.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – The Marshall County Board of Supervisors met with representatives of the Board of Directors of the Coalition for Youth about this happening. They have counseled the executive director to prevent this from happening again. The Marshall County Board of Supervisors also met with the executive director personally and counseled her about this.

Conclusion – Response accepted.

IV-J-08 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

Marshall County  
Audit Staff

This audit was performed by:

Bowman and Miller, P.C.  
Certified Public Accountants  
Marshalltown, Iowa

Personnel:

Elizabeth A. Miller, CPA, Principal  
James R. Bowman, CPA, Principal  
Loris H. Stansberry, CPA, Staff